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21 December 1961

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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

*Goa: Portugal's director general of political affairs has indicated that he sees no point in pursuing the Goan question in the UN, and believes that Foreign Minister Nogueira will not request action from the General Assembly.

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Lisbon is concerned over US press reports that President Kennedy told Nehru the "US was not supporting Portugal and did not agree with Portugal's position that the enclaves were an integral part of Portugal."

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Vietnam: The Chinese Communist military delegation visiting North Vietnam is emphasizing Peiping's support of Hanoi in the struggle for South Vietnam. Delegation head Marshal Yeh Chien-ying stated on 19 December that "the Chinese absolutely cannot ignore" recently increased US support for Diem. A similar statement was made by the Chinese Communist Foreign Ministry on 29 November. Any assistance that Peiping would extend to Hanoi at present would probably take the form of logistic support. [REDACTED] (Backup, Page 1)

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Communist China: [REDACTED] Communist China has bought nearly 1,000,000 tons of Canadian grain, worth about \$60,000,000, for delivery during the first half of 1962, and probably will take a similar amount in the second half. The Canadian credit terms are the same as those applied to 1961 purchases: 25 percent down, and the balance in nine months.]

[REDACTED] Peiping reportedly also is buying about 1,000,000 tons of grain from the French for delivery over the next few years. Chinese grain negotiations with Australia and West Germany, however, seem to be stalled by disagreement over price and credit terms. Peiping probably will seek to buy at least as much grain from Western sources for 1962 delivery as the 6,000,000 tons bought in 1961. Financial difficulties require Peiping to seek credit for grain and to continue to restrict other imports. Such restrictions are impeding industrialization in China.] [REDACTED] (Backup, Page 3)

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[REDACTED]

*Congo: (information available as of 0400 EST) UN representative Bunche reports from Kitona that an "accord" was reached in the Adoula-Tshombé talks in the early hours of 21 December. Ambassador Gullion had earlier reported that the atmosphere at the Kitona conference was "good," and described as "encouraging" Tshombé's apparent acceptance as the basis of negotiations of the "Loi Fundamentale"--the Belgian-drafted constitution for the Congo under which the Leopoldville government has been operating since independence.

According to the press, agreement was reached for a meeting of the entire Congolese parliament, including representatives of Tshombé's regime; this suggests that early revision of the "Loi Fundamentale" is planned to provide for considerable Katangan autonomy. Full details of the accord are not yet known, however, and may well include points which will be challenged by extremists elements in Leopoldville as well as in Elisabethville. Tshombe left for Elisabethville early today.

[REDACTED]

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WATCH COMMITTEE CONCLUSIONS

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On the basis of findings by its Watch Committee, the United States Intelligence Board concludes that:

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No Sino-Soviet bloc country intends deliberately to initiate direct military action in the immediate future.

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The Situation in South Vietnam

The Chinese Communist delegation has met with Hanoi's top political and military leaders and now is touring North Vietnamese military establishments. On several occasions since the delegation arrived in North Vietnam, Peiping has reported speeches alluding to Chinese volunteers during the Korean war. These references appear to be more reminders of Peiping's "lofty spirit of internationalism" than threats to repeat volunteer intervention in Vietnam where, under present circumstances, there is little indication that Peiping would offer--or that Hanoi would welcome--assistance in this form.

The severe drain on South Vietnam's resources resulting from the sustained high rate of Viet Cong guerrilla activity is pointed up by Saigon's report that government casualties for last week exceeded those of the enemy--402 and 359 respectively. For the entire year, South Vietnam's casualties are projected to reach about 13,000--nearly double last year's total--compared with an estimated 18,000 losses for the Viet Cong, a fifty percent rise over 1960.

While less dramatic than the massed attacks of this fall, the Viet Cong's present emphasis on widespread guerrilla activity tends to immobilize government forces on static defense duties or disperse them on generally fruitless security sweeps, leaving the enemy greater freedom of action to initiate larger scale attacks at a time and place of its own choosing. Broad-scale Viet Cong activity also demonstrates to the rural population the inability of Saigon to afford protection.

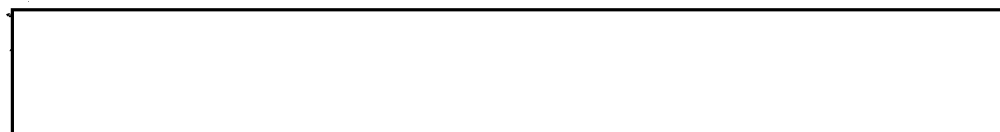
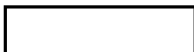
The extended effort being made by the government is indicated by the temporary deployment to the field of at least one company of the presidential guard brigade to assume area security missions from garrison forces committed to current security operations.

In conferences with the chiefs of two delta provinces south of Saigon last week, Ngo Dinh Nhu--architect of the now silenced



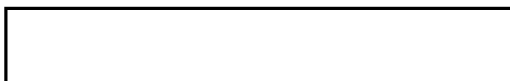
official press criticism of US policy in South Vietnam--is reported to have told the officials that the Vietnamese Government would have to plan the defense of the country without reference to the Americans, who could not be trusted "over the long pull." Nhu reiterated his favorite theme of the need for a "social revolution" to overcome Vietnam's three principal enemies--underdevelopment, Communism, and "divisive forces," the latter said to include the US.

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Chinese Communists Again Buying Grain in the West

Under a preliminary accord reached last year, China holds options on nearly five million tons of Canadian grain for delivery in 1962 and 1963. For several months the Chinese have been urging Canada to let them postpone repayment of earlier credits which will be due beginning about March 1962. This request apparently was rejected, as well as one to extend the length of credits for future grain shipments from the present nine months to three years. Efforts to persuade Canada to buy more Chinese goods may have met with some success, but there is as yet no indication that this method will be of more than marginal help in paying for grain imports.]

Negotiations with Australia, from which the Chinese bought some 2,500,000 tons of grain in 1960-61, have not gone smoothly this year and their outcome remains in doubt. The government, as well as the Australian Wheat Board, is apparently divided on the issue of granting further credits to China. In 1961 about half of the Chinese purchases in Australia were on credit. With their carry-over stocks greatly reduced this year the Australians expect to sell most of their grain for cash, with or without sales to China. If the Chinese express an interest in purchases beyond 1962, as they have elsewhere, the Australians might agree to provide further credits. Without credit the Chinese would probably refuse to make further purchases.]]

The nine- and twelve-month credits the Chinese obtained for about half of their total grain imports this year enabled them to postpone an estimated \$120,000,000 of the total cost, including shipping expenses, of about \$350,000,000. With similar credit terms for this year's purchases, the Chinese should be able to continue to pay for large-scale grain imports by continued juggling of their trade operations and financial resources.]]

Most of the grain the Chinese bought during the past year has been delivered, including more than 500,000 tons re-exported to third countries, chiefly Albania, Cuba, and Ceylon.]]

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The Under Secretary of State

The Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Political Affairs

The Counselor and Chairman of the Policy Planning Council

The Director of Intelligence and Research

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The Secretary of the Treasury

The Under Secretary of the Treasury

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The Assistant Secretary of Defense (International Security Affairs)

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Chief of Staff, United States Air Force

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The Director for Intelligence, The Joint Staff

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